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# Internet fraud

## Think before you link

Shopping

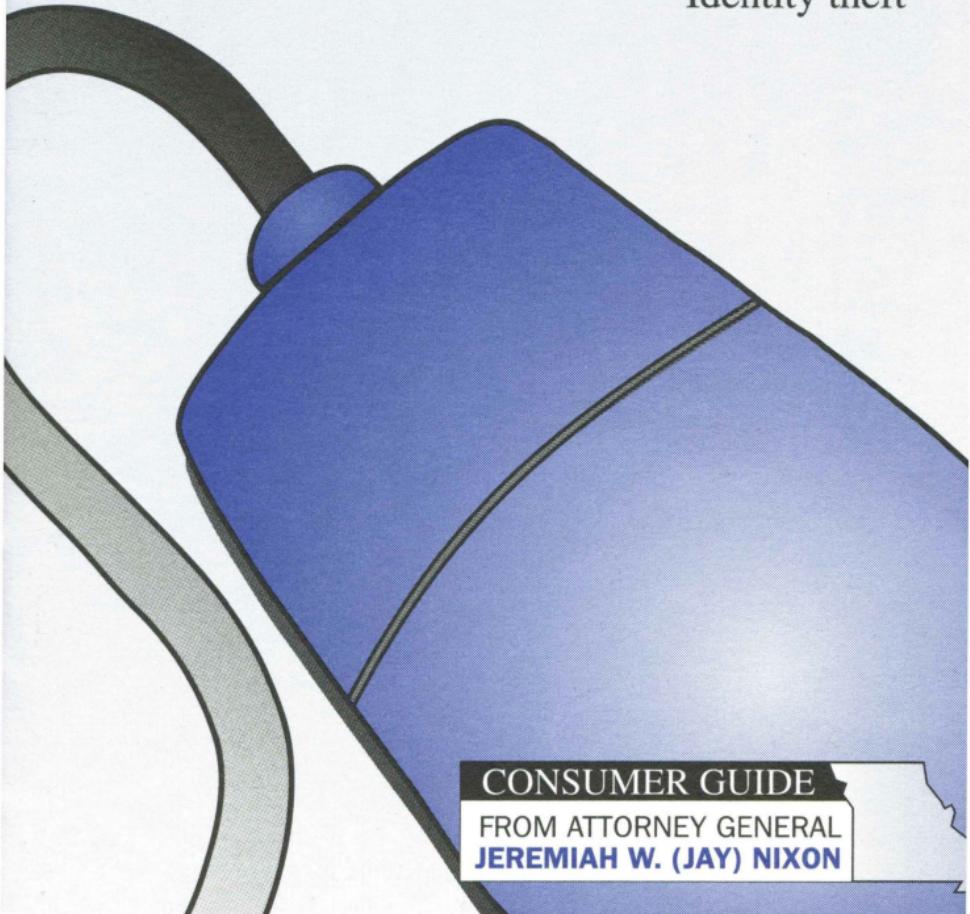
Auctions

Business opportunities

Guaranteed loans or credit

Investment offers

Identity theft



CONSUMER GUIDE  
FROM ATTORNEY GENERAL  
**JEREMIAH W. (JAY) NIXON**

SMSU-WP Garnett Library



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**DATE DUE**

# Fight Internet fraud

## FRAUD-FIGHTING TIPS ON WEB:

You can find other consumer fraud-fighting information at **AGOonline:** **www.ago.state.mo.us.**

**THE INTERNET** has created thousands of new opportunities for consumers to gather information, make choices and do business. But it also has opened up new problems for law enforcement and opportunities for criminals.

Many scam artists, who once used telephones and the mail to reach victims, now have turned to the Internet as a more effective and cheaper way to defraud more consumers.

With so many Web sites and e-mails offering products and services, Missourians may find it more difficult to distinguish legitimate offers from fraudulent ones.

I hope this booklet helps you spot and avoid Internet scams.



**Jeremiah W. (Jay) Nixon**  
Missouri Attorney General



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June 2000



Find out how to better protect  
yourself against fraud  
on the AG's Web site:  
**[www.ago.state.mo.us](http://www.ago.state.mo.us)**

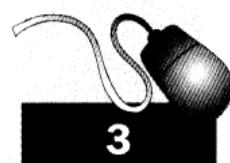
Click on the  
publications link

# Inside Internet fraud

## REPORT FRAUD:

If you encounter consumer fraud on the Internet, you can download a complaint form at **AGOOnline: www.ago.state.mo.us.**

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# Shopping online

**BUYING AN** airline ticket, reserving a hotel room or even buying a car now is a click away. But while shopping on the Internet may offer bargains and conveniences not found in a store, there are dangers.

To protect yourself while shopping:

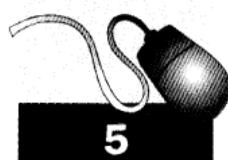
- **Use** a secure browser. This software scrambles the purchase information you send over the Internet, ensuring a secure transaction. Most computers have a browser installed, or you can download one for free from the Internet.
- **Safeguard** personal information. Many companies post privacy policies on their Web sites. Check the policy before giving information.
- **Shop with** known companies. Anyone can set up shop on the Internet. Ask unfamiliar companies to send a catalog or brochure. Also, check refund and return policies before placing an order.
- **Keep** your password private. Also, avoid using a phone number, birth date or part of your Social Security number for a password. Use a combination of numbers, letters and symbols.

## Top 10 Internet scams

Auctions accounted for 87 percent of Internet fraud reported in 1999 by the National Consumers League. The top 10 are:

1	Auctions	87%
2	General merchandise sales	7%
3	Internet access services	2%
4	Computer equipment, software	1.3%
5	Work-at-home offers	.9%
6	Advance-fee loans	.2%
7	Magazine sales	.2%
8	Adult services	.2%
9	Travel offers	.1%
10	Pyramids, multilevel marketing	.1%

- **Pay** by credit or charge card. Paying by credit online will protect your transaction under the Fair Credit Billing Act. This law gives you the right to dispute charges under certain circumstances and temporarily withhold payment.
- **Keep** printed records of all transactions including purchase order and confirmation numbers.



## Auctions

**ONLINE AUCTIONS** have become popular — with consumers and with con artists.

While most transactions are legitimate, 87 percent of Internet fraud reported in 1999 involved auctions.

Like traditional auctions, the high bidder wins. But that's where the similarity ends — online auction houses don't hold the merchandise. The high bidder deals directly with the seller.

The seller usually e-mails the high bidder to arrange for payment and delivery. Some sellers, however, take the money without delivering.

The safest way to pay is by credit card because bidders can dispute the charges if the bid item is flawed or not delivered. Many transactions that require payment by check or money order are fraudulent.

## Before you bid:

- **Verify** the seller's identity. Some sellers may use a forged e-mail header, making it impossible to contact them.
- **Ask** about follow-up service. Sellers may not have the expertise or facilities to provide service for problem goods.
- **Ask** about return policies. Returning merchandise to an online seller may be difficult or impossible. Also, find out who pays for shipping.
- **Ask** to pay by credit card. If you don't receive the merchandise, or it is not what you expected, you can challenge the charges.
- **Ask** about using an escrow agent or paying c.o.d. if an online seller does not take credit cards. Escrow agents take payment from the buyer and give it to the seller after verifying the bid item is satisfactory. There usually is a fee.
- **Avoid** impulse bids and purchases. Make sure you are getting the best price.



## USE A CREDIT CARD

You can challenge a charge if an item is not what you expected or is not delivered.



# Business opportunities

**FRAUDULENT** business opportunities may be promoted on Web sites and e-mailed solicitations. These offers make it sound easy to start a business and earn big bucks with little work.

Offers may promise top earnings through Internet-related ventures such as training to become an Internet consultant, or by doing electronic billing for doctors.

Many notorious work-at-home scams such as envelope stuffing, assembling crafts at home, coupon clipping and reading books have been revived on the Internet.

Here are some phrases signaling scams:

- **Make** a fortune working a few hours a week.
- **No experience** needed.
- **For a fee**, get a list of businesses wanting home-based workers.
- **Call a 900-number** for more information.
- **Make** a decision now.

# Guaranteed loans, credit

## NO QUICK FIX

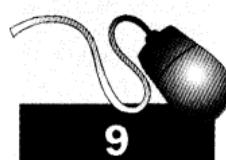
A poor credit history cannot be repaired by someone. Only time, effort and debt repayment can fix your credit.

**E-MAIL MESSAGES** may offer home-equity loans that don't require equity, or guaranteed, unsecured credit cards regardless of your credit history. Offshore banks may be touted as the lenders.

Don't be fooled. The home-equity loans are useless lists of lenders who will deny loans if you don't meet qualifications. The promised credit cards never materialize.

Companies that advertise credit-repair services are selling worthless services. They also may be encouraging you to violate federal law by lying on a loan or credit application, misrepresenting your Social Security number or getting an Employer Identification Number from the Internal Revenue Service under false pretenses.

Only time, effort and debt repayment can improve your credit.



# Investment opportunities

**INTERNET SCAM** artists can use slick Web sites to make their “investment company” look legitimate. Before responding to online investment offers, check for these warning signs:

- **Claims** that an IRA investment is approved by the Internal Revenue Service. Don’t believe it. The IRS does not “approve” investments for IRAs.
- **Offers** to match your interests to investment opportunities. Ask these matchmaking Web sites to disclose any affiliations with these investments. Beware of any up-front fees, and don’t disclose bank account information.
- **Guarantees** that offshore investments are tax-free and confidential. If a company claims to be located offshore or offers an “offshore, tax-free” investment, check with a professional such as an attorney, financial adviser or accountant about the tax implications.
- **Requests** for online financial information. Some Web sites may ask you to submit financial information to prove you are an “accredited investor.”

# Identity theft



**IDENTITY THEFT** occurs when someone uses, without your knowledge, your name and personal information such as Social Security, credit-card and bank-account numbers to commit fraud or theft.

Armed with this personal information, thieves can:

- **Open new** credit accounts using your name, birth date and Social Security number. When the bills aren't paid, the report goes on your credit report.
- **Call** your credit-card issuer, pretending to be you, and change the mailing address on your credit-card account. The impostor then runs up charges on your account.
- **Establish** cellular phone service in your name.
- **Open** bank accounts and write bad checks.

## PROTECT NO. 1

For your protection, don't give out your Social Security number unless it is absolutely necessary.



## **What victims can do**

- **Contact** the fraud department of the three national credit-reporting agencies. Ask that a “fraud alert” be placed on your file and that no new credit be granted without your approval.

- **Contact** the security departments of creditors and financial institutions where accounts have been fraudulently accessed or opened.
- Close these accounts and put passwords on new accounts you open.
- **File** a report with local police where the identity theft occurred and get a copy if proof is needed later.

- **Contact** the Federal Trade

Commission. Although the FTC does not have authority to take legal action, it is the federal clearinghouse for complaints by victims of identity theft. The FTC also provides information to help victims resolve problems caused by the theft.

**Click:**

[www.ftc.gov/ftc/complaint.htm](http://www.ftc.gov/ftc/complaint.htm)

**Call:**

FTC’s Consumer Response Center  
Toll-free 877-382-4357

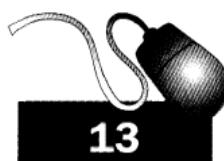
TDD: 202-326-2502

## **Report fraud to credit bureaus**

Monitoring your credit-card statements and credit report is the most important step you can take to safeguard your credit identity. At your request, a credit bureau is required to provide one free credit report during any 12-month period if you believe the report contains inaccurate information due to fraud.

The three national bureaus also have toll-free numbers to report suspected fraud.

<b>BUREAU</b>	<b>REPORT FRAUD</b>	<b>GET CREDIT REPORT</b>
<b>Experian</b>	888-397-3742	888-397-3742
<b>Trans Union</b>	800-680-7289	800-916-8800
<b>Equifax</b>	800-525-6285	800-685-1111 (if denied credit) 800-270-3435 (to review report)



# Internet fraud: Think before you link

## How to protect yourself

### ● Keep personal information private.

Don't disclose your address, telephone and Social Security numbers, or e-mail address unless you know who's collecting the information and how it will be used.

### ● Notify immediately your credit-card issuer or bank if your credit card or checkbook is missing.

### ● Check your monthly bank and credit-card statements for unauthorized purchases.

### ● Never reveal your password, even to your Internet service provider.

### ● Don't print your drivers license or Social Security number on personal checks.

### ● Don't toss convenience checks or pre-approved credit offers without shredding them.

# Other brochures

## CONSUMER GUIDES

- For senior citizens
- For general public
- For college students
- Know Your Rights guide that covers current scams, life issues

*The above guides include several of the following topics that are available in these free individual pamphlets:*

## CAR/HOME

- **All About Autos:** Car Repair, Lemon Law, Odometer Rollback, Used Cars
- Charitable Giving
- Door-to-Door Sales
- Home Repair Fraud
- Lien Law
- Warranties

## SOLICITATIONS/SALES

- Buying Tips
- Contest Cons
- Magazine Sales
- Slamming & Cramming
- Telemarketing Fraud
- The Real Deal: Shows kids how to be smart shoppers
- Travel Scams
- Vacation Timeshares

**TO GET  
A FREE  
COPY**



**CLICK**

AGOnline:

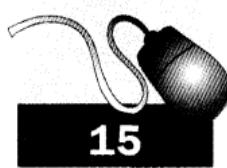
**www.  
ago.state.  
mo.us**

(Most booklets are available online)



**OR CALL**

Consumer Protection Hotline:  
**800-392-8222**



# Internet fraud: Think before you link

## **INVESTMENT**

- Bank Examiner & Pigeon Drop Schemes
- Business Offers
- Home Equity Loans
- Investment Scams
- Pyramid (get-rich-quick) Schemes

## **HEALTH**

- Health & Fitness Clubs
- Hearing Aids

## **Insurance Coverage:** Detecting Fraud,

- Long-term Care Insurance, Medicare
- Supplemental Insurance Fraud
- Pre-need Funeral Plans

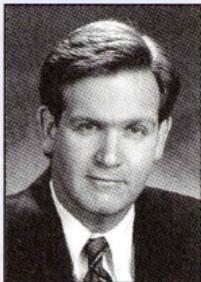
## **LEGAL/BUSINESS**

- Chapter 407: State's consumer protection laws
- Credit Repair Scams
- Crime Victims' Rights
- Going-out-of-Business Sales
- Protecting Victims of Domestic Violence
- Rules for Advertising: Code of State Regulations
- The Court Process: How the criminal justice system works
- The Sunshine Law: State's Open Meetings and Records Law

## **HANDLING COMPLAINTS**

- Consumers, Take Action





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